

# LLANVACHES COMMUNITY COUNCIL

## FINANCIAL REGULATIONS

**Approved by Llanvaches Community Council at its Meeting on Tuesday, 16<sup>th</sup> May 2023.**

### **1. GENERAL**

- 1.1 These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of financial control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. If a Councillor is appointed, the role shall be unpaid and part of a Finance Sub-Committee consisting of the Chairman and RFO.
- 1.3 The Responsible Financial Officer (RFO), under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs in accordance with proper practice. The RFO shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the Council are maintained and kept up to date in accordance with proper practices.
- 1.4 The RFO shall be responsible for the production of financial management information as required by the Council. The Council shall be responsible for ensuring that the financial management is adequate and effective and that the council has a system of internal controls which facilitates the effective exercise of its functions and which manages risk.
- 1.5 At least once a year, prior to approving the Annual Return, the Council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.6 In these financial regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and then in force.
- 1.7 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability in local Councils in England and Wales – a Practitioners' Guide which is published jointly by One Voice Wales and the Wales Audit Office and updated from time to time.
- 1.8 It shall be the duty of the Council to review the Financial Regulations of the Council every three years. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations between formal reviews.

### **2. ANNUAL ESTIMATES (BUDGET)**

- 2.1 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the Council.

- 2.2 The RFO shall prepare an initial Draft Budget, Precept recommendation and Concurrent Grant Request, for the December Council Meeting. This information must be distributed to each Councillor at least 3 clear working days before that meeting. At that meeting Council shall determine the Draft Budget, fix the Precept to be levied for the ensuing financial year and finalize the Concurrent Grant Request for that year. The RFO shall issue the Precept and Concurrent Grant Request to Newport City Council (NCC) before their stated deadline.
- 2.3 When the Precept and Concurrent Grant levels have been published by NCC, the RFO shall revise or confirm the Draft Budget for consideration by Council. Council shall agree the Annual Budget at the February Council Meeting.
- 2.4 The Annual Budget shall form the basis of financial control for the ensuing financial year.
- 2.5 The Council shall prepare and have regard to a three year forecast of Revenue and Capital Receipts and Payments which shall be prepared at the same time as the annual Budget or Estimates.

### **3 BUDGETARY CONTROL**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 No expenditure may be incurred that will exceed the amount provided in the revenue budget for that class of expenditure. During the budget year and with the approval of Council, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.
- 3.3 The RFO shall provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared for each Council Meeting. The information must be distributed to each Councillor at least 3 clear working days before the meeting.
- 3.4 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.
- 3.5 The RFO shall prepare a Schedule of Payments report for presentation at each Council Meeting. The report, which is an important part of the control process, lists all of the payments that the RFO recommends the Council should make and the payments that have been made between meetings as specified in the relevant regulation below.
- 3.6 The Clerk shall be allowed to spend up to £35 in any month without prior authorisation from Council. It is expected that this will cover office supplies and small item purchases. The payments made will be presented for Councillors' consideration at their meeting immediately after the payment, under the Payment of Accounts heading. Overall spending of this type will be closely monitored.
- No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.7 All proposed spending in excess of £35 must be approved by Council before the expenditure (or commitment to that expenditure) is made. Before consideration, the item must be included on the Meeting Agenda and any item over £150 must be described in detail on the agenda. The information and arguments must be distributed to each Councillor at least 3 clear working days before

the meeting to enable an informed judgement to be made. The only exceptions to this ruling are noted in a) to c) below.

a) In exceptional time pressure circumstances (for example late notification of Insurance Premium) it may be presented for approval without being described on the agenda, but the approval will only be valid if Council unanimously agrees on both the spend and that the circumstances are exceptional.

b) In emergencies between meetings, payments or commitments to expenditure of not more than £400 can be approved provided that at least four Councillors register their agreement in writing and that the Chairman is among the four. The relevant facts must be reported and recorded at the next Council Meeting. Any payment made will be confirmed under Payment of Accounts on the agenda.

c) In cases where there has already been agreement at a previous meeting to spend up to £400, the proposal to make the actual spend can be made at a meeting without it being included specifically on the agenda, provided that the spend proposed does not exceed the agreed value.

3.8 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.

3.9 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

#### **4. ACCOUNTING AND AUDIT**

4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto. All accounts, returns and supporting information for consideration by Councillors must be distributed to each Councillor at least 3 clear working days before the relevant Community Council Meeting.

4.2 The RFO shall be responsible for completing the annual financial statements of the Council, including the Council's Annual Return, as soon as practicable after the end of the financial year and shall submit them and report thereon to Council.

4.3 The RFO shall be responsible for completing the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and for submitting the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations 1996 as amended, or set by the Auditor.

4.4 The RFO shall be responsible for ensuring that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with Regulation 5 of the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available documents of the Council which appear to the RFO or Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.

4.5 The Internal Auditor shall be appointed by the Council at each AGM and shall carry out the work required by the Council in accordance with proper practices. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council with a minimum of one written report in respect of each financial year. In order to demonstrate objectivity and independence, the Internal Auditor shall have no conflicts of interest and have no involvement in the financial decision making, management or control of the Council.

The Council shall carry out a review of the effectiveness of internal audit on an annual basis in accordance with the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto.

4.6 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by Audit Commission Act 1998 section 15 and the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto.

4.7 The RFO shall, as soon as practicable, bring to the attention of all Councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

## **5. BANKING ARRANGEMENTS AND CHEQUES**

5.1 The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Council before implementation. They shall be reviewed every two years.

5.2 All instructions to the Council's banker regarding management of the Council's accounts shall be made by the RFO in writing (by letter) and the letter shall be countersigned by the Chairman. A schedule of the payments required, forming part of the Agenda for the Meeting, shall be prepared by the RFO and, together with the relevant invoices, be presented to Council. If the schedule is in order it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the Meeting. If more appropriate the detail may be shown in the Minutes of the Meeting. Payments may be made by Paypal subject to the policy in place.

5.3 All payments made by the Council shall be effected by cheque or other order drawn on the Council's banker. All payments to the Council shall be by cheque or other order. Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4, shall be signed by two members of Council. Payments may be made by Paypal subject to the policy in place.

5.4 There shall be no cash withdrawals from the Council's bank accounts.

5.5 Any payments made in cash by the Clerk or a Councillor (for example for postage or minor stationery items, or for plants etc for the Village Green) shall be refunded by cheque.

5.6 Cheques drawn on the Council's bank account shall be signed by two members of Council.

5.7 To indicate agreement of the details shown on the cheque and the relevant invoice or similar documentation, the signatories shall each also initial the cheque counterfoil and the relevant invoice or similar documentation.

5.8 The RFO, when presenting the Statement of Accounts to Council, shall present a financial review or cashbook report stating the details of every cheque used. Unpresented and cancelled cheques shall be highlighted and a brief reason for the cancellations given.

- 5.9 Transfers between the Council's Current and Deposit Accounts shall be made at the discretion of the RFO. There shall be no transfers from the Deposit Account to any account other than the Council's Current Account and no transfers out of the Current Account to any account other than the Council's Deposit Account.
- 5.10 The Council's banker shall send copies of the Current Account and Deposit Account Statements to the Clerk at the end of each month.

## **6 PAYMENT OF ACCOUNTS**

- 6.1 All invoices for payment shall be addressed to the Clerk and on receipt examined, verified and certified by the Clerk. The Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved. The certified invoices shall be passed to the RFO within seven days of receipt by the Clerk. All payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 The RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The Clerk shall take all steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.
- 6.3 If a payment is necessary to avoid interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of Council, then, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, that payment shall be made provided that at least four Councillors register their agreement in writing and that the Chairman is among the four.
- 6.4 A schedule of all of the payments required and payments made shall be prepared by the RFO and, together with the relevant invoices, be presented to Council on the agenda under Payment of Accounts. If the schedule is in order it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the Meeting. The detail shall be shown in the Minutes of the Meeting. The following must also be shown
- the Proposer and Seconder of the motion to approve / accept
  - any Councillor opposing the motion or abstaining from voting
  - any Councillor who has declared an interest and withdrawn.

The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk or RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

## **7 PAYMENT OF SALARIES**

- 7.1 As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.
- 7.2 Payment of salaries and payment of deductions from salary such as tax national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to and ratified by the next available Council Meeting under the Payment of Accounts item on the agenda.

## **8 INVESTMENTS AND BORROWINGS**

- 8.1 All investments of money under the control of the Council shall be in the name of the Council and approved by Council before such investment is made.
- 8.2 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The terms and conditions of borrowings shall be reviewed at least annually.
- 8.3 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 8.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose.

## **9 INCOME**

- 9.1 The collection of all sums due to the Council shall be the responsibility of the RFO. The RFO shall ensure that income received via Bank Transfer is processed by timely effective systems.
- 9.2 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 9.3 Cheques and other orders received on behalf of the Council shall be addressed to the Clerk and passed to the RFO within seven days and shall be deposited promptly with the Council's bankers by the RFO.
- 9.4 The origin of each cheque or receipt and other order shall be entered on the paying-in slip.
- 9.5 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

## **10 ORDERS FOR WORK, GOODS AND SERVICES**

- 10.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate (say for items costing £50 or below). Copies of orders shall be retained.
- 10.2 Order books shall be controlled by the RFO and, except in an emergency, all orders shall be issued by the RFO.
- 10.3 The Clerk or Council Sub-Committee leading the development of a proposal to spend on specific work, goods or services is termed the Topic Leader (TL). Usually for the larger transactions (say potential spend of over £100) Council will give approval in principle at an early stage in development. Following this approval, the TL shall ensure as far as reasonable and practicable that the best available terms would be obtained in respect of each potential transaction.
- 10.4 Except where the item is supplied by only one source or where it is a proprietary item at a fixed price, the TL shall strive to obtain two or more quotations or estimates from appropriate suppliers for

potential purchases between £150 and £400 and three or more quotations or estimates for potential purchases over £400.

10.5 When the TL has developed the proposal, all the relevant details of potential suppliers and costs shall be presented with the purchase proposal to a meeting of Council. The information must be distributed to each Councillor at least 3 clear working days before that meeting. If that proposal is approved by Council, or an alternative is agreed, the RFO shall be tasked with placing the order. The Minutes of the meeting shall record the proposal in sufficient detail and the Minutes shall also include:-

- the Proposer and Secunder of the motion to approve / accept
- any Councillor opposing the motion or abstaining from voting
- any Councillor who has declared an interest and withdrawn.

10.6 The RFO shall ensure that Council obtains the optimum terms and benefit from the supplier nominated and the RFO shall verify the lawful nature of any proposed purchase before the issue of any order. In the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

## **11 CONTRACTS**

11.1 Procedures as to contracts are laid down as follows:

- (a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) to (v) below:
  - (i) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
  - (ii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
  - (iii) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
  - (iv) for additional audit work of the external Auditor up to an estimated value of £250 (in excess of this sum the Clerk and RFO shall act after consultation with the Chairman);
  - (v) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price
- (b) Where it is intended to enter into a contract exceeding £3,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list.
- (c) When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.

- (d) Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.
- (e) All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of the Chairman and at least one other member of Council.
- (f) If less than three tenders are received for contracts above £3,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (g) When it is to enter into a contract less than £3,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall strive to obtain three quotations and the sealed tender process will not apply.

11.2 The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

11.3 For all contracts the RFO will verify the lawful nature of the contract. The Clerk or RFO will present the proposal(s) to Council and if agreement is reached, the RFO shall be tasked with placing the contract.

## **12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and the Contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

## **13 ASSETS, PROPERTIES AND ESTATES**

13.1 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, in conjunction with a health and safety inspection of assets.

13.2 The Clerk shall make appropriate arrangements for the custody of all leases and legal documentation relevant to land leased by the Council. The Clerk shall also arrange for the custody of all documentation regarding rights-of-way, way-leaves etc relevant to the use of the leased land. The existence of the leases shall be recorded on the same document as the Register of Assets

13.3 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law, save where the estimated value of any one item



of tangible movable property does not exceed £25 and the 'written down value' on the Register of Assets is less than £5.

13.4 The Register of Assets and the insured values shall be presented for Council's examination and approval at the Community Council AM each May.

## **14 INSURANCE**

14.1 Following the annual risk assessment (per Financial Regulation 15), the RFO shall effect all insurances and negotiate all claims on the Council's insurers in consultation with the Clerk and Chairman.

14.2 The Clerk shall give prompt notification in writing to the RFO of all new risks which require to be insured and of any alterations affecting existing insurances.

14.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

14.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.

14.5 All appropriate employees of the Council shall be included in a suitable Fidelity Guarantee insurance which shall cover the level of risk exposure agreed at a Council Meeting

## **15 RISK MANAGEMENT**

15.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the Council, risk management policy statements in respect of all activities of the Council.

15.2 When considering any new activity, the Clerk and RFO shall prepare a draft risk assessment including risk management policy for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.

15.3 The Council shall carry out a Financial Risk Assessment each year at the June meeting in accordance with the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto. The minutes shall record such review of the financial risks.

## **16 REVISION OF FINANCIAL REGULATIONS**

16.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time